

H.E. Prayut Chan-o-cha
Prime Minister of Thailand
The Secretariat of the Prime Minister, Government House
1 Nakhon Pathom Road, Dusit, Bangkok 10300
Kingdom of Thailand

November 21, 2018

RE: INTA representations regarding imminent issuance of plain packaging regulations

Dear Prime Minister Prayut Chan-o-cha,

The International Trademark Association (INTA) is honored to deliver the following representations regarding the imminent issuance of regulations to impose plain packaging on tobacco products by the Ministry of Health. INTA recommends that the government of Thailand preserve the economic value of trademarks, protect consumers and encourage innovation and investment by rejecting measures to implement plain packaging.

The International Trademark Association (INTA) is a global organization of 7,200 trademark owners and professionals from over 191 countries, including 25 members in Thailand and 289 members in the ASEAN region. INTA is a not-for-profit membership association dedicated to supporting consumer confidence, economic growth and innovation. Founded in 1878, INTA leads in global trademark research, policy development, and education and training. More details about INTA and its roles are available at www.inta.org.

INTA commends efforts to address public health concerns in Thailand. Although we take no position on the health issues that are the focus of tobacco plain packaging, we strongly believe that the introduction of plain packaging in Thailand would frustrate the ability of trademarks to serve their function and would also amount to a serious encroachment on the rights of trademark owners. We previously submitted our views to the government in 2017 as draft amendments to the law which would now allow for plain packaging were considered.

Specifically, we are concerned that plain packaging would not only reduce the space available for trademarks and branding on cigarette packs and retail containers of cigarettes and other tobacco products but would also make it mandatory for trademark owners to use their trademarks in an altered form in violation of Thailand's international obligations. We also believe that introducing plain packaging as recently proposed by the Ministry of Health will undermine the economic value of trademarks and intellectual property as an essential part of Thailand's economy and future growth.

INTA's views are based on our 2015 Board Resolution.¹ The primary concerns are that plain packaging laws violate international and national law, and expropriate valuable trademark rights. INTA recommends that governments should use less drastic alternatives to address health and safety goals, such as public educational campaigns, as opposed to disturbing the well-established areas of intellectual property law. The primary function of a trademark is to allow a producer to communicate with a consumer, and any

¹<https://www.inta.org/Advocacy/Pages/RestrictionsonTrademarkUsesthroughPlainandStandardizedProductPackaging.aspx>

proposed legislation should allow for trademarks, not simply the word mark, to continue functioning in this regard.

Plain packaging of tobacco products is part of a larger global and cross-industry phenomenon called “brand restriction” – which includes any number of proscriptions of trademarks and brands (e.g. removal of branding elements, removal of brand variants, inclusion of other messaging, forced use of trademarks on other products). Tobacco is not the only industry being targeted by brand restriction policy tools, and the slippery slope to other industries is occurring globally. Additionally, these policy tools are increasingly being used outside the areas of public health for other more politically motivated purposes, eroding consumer protections and the economic wealth created by trademarks.

Importance of Trademarks to Thailand’s Economy

Trademarks create tremendous economic value for the Thai economy. Research published by INTA indicates that trademark-intensive industries in Thailand contribute to 22% of GDP, 60% of exports and 13% to overall employment.² Trademarks bring direct value to companies in Thailand, in particular to SMEs – where trademarks are often the first and most valuable intellectual property asset.

Stripping the value of intellectual property from one industry should be considered in relation to the potential value it puts at risk in other industries. As stated above, other industries are facing the threat of brand restriction, and not always on public health grounds. Deploying these policy tools will set precedence to destroy the economic value of trademarks in other industries.

Brand Restrictions undermine global economic value of intellectual property and endanger global trade

The economic stakes at risk by brand restrictions are enormous. Pharmaceuticals, health products, alcohol, food and beverage are being targeted by brand restriction policies around the world.^{3 4} As an example of the economic stakes at risk, if one of these sectors suffered from plain packing as proposed by Thailand globally, the economic loss could reach USD 293 billion, according to research by Brand Finance released last year.⁵ This is nearly the half the size of Thailand’s entire annual GDP.

While public health may be the rationale for some brand restrictions, this is increasingly not the case globally. For example, recent proposals in Hungary are utilizing brand restrictions not on grounds of public health, but for political reasons to remove “symbols of communism” which would lead to the absurd result of removing branding elements from certain iconic brands in an arbitrary manner.⁶

Brand restrictions can be used to undermine global trade. Following Australia’s implementation of brand restrictions on tobacco, Indonesia threatened retaliation by suggesting that they apply brand restrictions on products to important imports from Australia, namely wine and spirits.⁷ Given the deteriorating global trade climate, it is imperative that Thailand not set precedence regionally and implement laws that justify the use of these policy tools which can undermine global trade.

² https://www.inta.org/Communications/Documents/Impact_of_Trademarks_in_Thailand_TH_091117.pdf

³ <https://www.nytimes.com/2018/02/07/health/obesity-chile-sugar-regulations.html>

⁴ <https://www.lexology.com/library/detail.aspx?g=edf78a98-57d9-45b4-88c4-f6fa2e1ebb85>

⁵ <http://brandfinance.com/knowledge-centre/reports/brand-finance-plain-packaging-2017/>

⁶ <https://www.reuters.com/article/us-hungary-heineken-redstar/red-star-over-hungary-heineken-may-see-trademark-banned-idUSKBN16R17K>

⁷ <https://www.thedrinksbusiness.com/2014/05/indonesia-threatens-plain-packaging-on-alcohol-labels/>

The global context and supporting consumer confidence

The vast majority of the world has not considered plain packaging regulations, and these figures demonstrate that plain packaging as considered by Thailand is a radical departure from current global practices and should not be considered “normal.”

There are commonsense reasons why plain packaging will benefit the trade in counterfeit products. By making packaging simple and uniform, the currently complex techniques of packaging will be cheaper to produce, lowering the barriers of entry for criminals to enter this market, while at the same time increasing profit margins for these actors. Such basic economic principles should be considered seriously.

Trademarks and trade dress play an integral role in facilitating consumer choice by distinguishing products from an enterprise that consumers know and trust, from those of unknown or unsatisfactory origin. Plain packaging will thus make it more difficult for consumers to identify the brand of their choice. This inability to recognize a trademark on a product will lead to consumer confusion, and impair and diminish the goodwill acquired in the trademark through investment and effort over time.

It is important to remember that trademark rights are a vital aspect of the global economy, and play a significant role in free trade and competition. By forcing trademark owners to give up or alter the distinctive character of their trademarks, plain packaging not only sets a dangerous legislative precedent for other industries, but also undermines Thailand’s intellectual property protection system as a whole and sends a negative signal to the foreign investment community.

Plain Packaging Conflicts with Thailand’s Law

By preventing the use of trademarks or forcing trademark owners to alter the distinctive character of the trademark from their form as registered in order to use them within the limited pack space, plain packaging puts these trademarks at risk for revocation. This is of particular concern for trademarks that protect the get up/trade dress of goods in Singapore.

Plain packaging would violate Thai trademark laws by preventing trademark owners from freely using their trademarks. The right to use registered trademarks is fundamental and protected. Section 4 of the Trademark Act B.E.2534 (1991), and amendments thereof, which defines a trademark as “*a mark used or proposed to be used.*”

By registering a trademark, the trademark owner has obtained the exclusive right to use and license the use of the trademark in Thailand, as provided for in Section 44 of the Trademark Act. Should plain packaging be enacted by the Ministry of Public Health, it will prevent rights holders from using those marks which contain design, shape or color variations. A ban on the use of these trademarks on tobacco products violates this basic principle of trademark law and puts those trademarks at risk of being cancelled for non-use. For example, Section 63 of the Trademark Act allows for the cancellation of trademarks that are not used for a three-year period. We understand that Thailand’s Ministry of Commerce also shares this concern and, through its letter to the Cabinet Secretary-General dated 12 Oct 2016, officially made an observation that Section 38 would violate the Trademark Act.

Indeed, as Thailand has acceded to the Madrid Protocol relating to the Madrid Agreement concerning the international registration of trademarks and has promulgated it through the Trademark Act (No.3) B.E.2559(2016), Thai companies may choose to use this international trademark application system as their businesses grow and expand into new overseas markets. However, if their original Thailand trademark

is cancelled for any reason, including for non-use, such cancellation will amount to a “central attack” and the trademarks in those other countries based on the Thai registration will be cancelled as well.

Plain Packaging Conflicts with International Treaty Obligations

Plain packaging is also inconsistent with the World Trade Organization’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Paris Convention for the Protection of Industrial Property. Currently on appeal, the WTO has not yet issued a final ruling on the effect of TRIPS on plain packaging in the case of Australia.

Specifically, the proposed regulations will conflict with Article 20 of TRIPS, which states that

*“the use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, **use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings...**”*(emphasis added)

Additionally, Article 15 of TRIPS and Article 7 of the Paris Convention provide that the nature of goods to which a trademark is applied shall in no case form an obstacle to the registration of the trademark. It is a well-established principle that registration confers upon the trademark owner an exclusive right to use the trademark for whatever product he wants, irrespective of its kind. In preventing trademark owners from using their trademarks in relation to tobacco products, plain packaging denies trademark owners a fundamental aspect of registration, effectively creating an obstacle to the registration of trademarks under Article 15 of TRIPS and Article 7 of the Paris Convention.

Although Article 8(1) of TRIPS suggests that public health measures are justifiable encumbrances to the use of a trademark under Article 20 of TRIPS, such measures must nevertheless be “*necessary to protect public health*” and be “*consistent with the provisions of [TRIPS]*.” The Ministry of Health has yet to demonstrate that the adoption of plain packaging for tobacco products will benefit public health beyond very equivocal evidence, let alone that they are **necessary** to protect public health. Also there has also not been shown any less restrictive alternative measures exist that would achieve the same objective.

Furthermore, the prohibition of the use of complete and legitimate trademarks and trade dress on packaging would violate Article 10*bis* of the Paris Convention and its provisions against unfair competition, a risk not only to trademark owners but also to consumers.

Regionally, Thailand is committed to “recognize and respect the protection and enforcement of intellectual property rights in each Member State” pursuant to Article 2.4 of the ASEAN Framework Agreement on Intellectual Property Cooperation (IP Framework Agreement). Article 2.2 of the IP Framework Agreement also imposes an obligation on Singapore to implement intra-ASEAN intellectual property arrangements in a manner that is in line with the objectives, principles, and norms contained in TRIPS. Therefore, and for the reasons stated above, plain packaging would not only violate TRIPS, but the IP Framework Agreement as well.

Conclusion

In light of the foregoing, INTA submits that the plain packaging proposals would deprive trademark owners of valuable property and violate Thailand’s trademark legislation and international obligations. We strongly urge the government of Thailand to consider the highly negative effects plain packaging would have on consumers and trademark owners, and on the strategically important area of IP and the future of Thailand’s economy. INTA is confident that the Thai authorities will be able to identify alternative and less restrictive

policy options that can achieve the country's important public health objectives without undermining well-established intellectual property rights.

This submission was drafted with the assistance of the Asia-Pacific subcommittee of the Legislation and Regulation Committee. If you have any questions or concerns, please contact INTA's Asia-Pacific Chief Representative, Seth Hays at shays@inta.org.

Sincerely,



Etienne Sanz de Acedo
Chief Executive Officer
International Trademark Association

CC:

H.E. Kobsak Phutrakool, Deputy Prime Minister of Thailand
H.E. Apisak Tantivorawong, Minister of Finance
H.E. Sontirat Sontijirawong, Minister of Commerce
H.E. Grisada Boonrach, Minister of Agriculture and Cooperatives
H.E. Uttama Savayana, Minister of Industry
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